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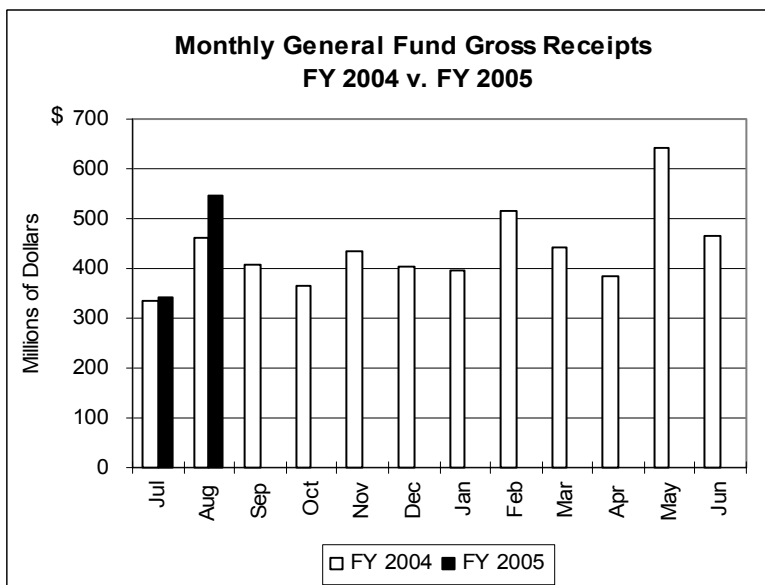
ADMINISTRATIVE SERVICES
 TIMOTHY C. FALLER

MEMORANDUM

TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives
 FROM: Dennis C. Prouty
 DATE: September 1, 2004

Monthly General Fund Receipts through August 31, 2004

The attached spreadsheet presents year-to-date FY 2005 General Fund receipts, with comparable figures for actual FY 2004. The figures can be compared to the FY 2005 estimate of \$5.229 billion set by the Revenue Estimating Conference (REC) on March 19, 2004. The FY 2005 estimate is a decrease of \$28.4 million (- 0.5%) compared to actual FY 2004 gross cash receipts (excluding transfers and accrued revenue changes). The current negative growth projection is due to FY 2004 gross cash receipts exceeding REC projections. A date for the next Revenue Estimating Conference has not been set.



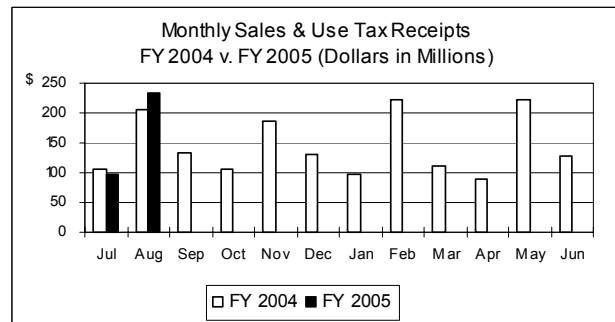
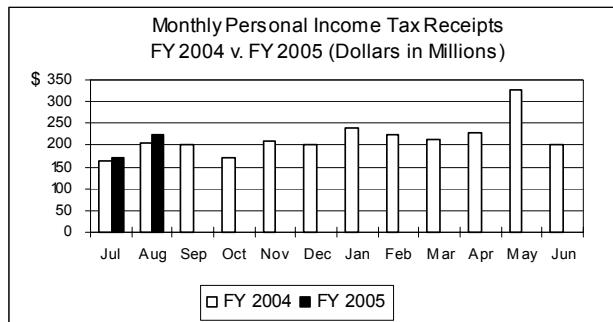
FY 2005 Compared to FY 2004

FY 2005 total cash gross revenues (excluding transfers) increased \$89.8 million (11.3%) compared to FY 2004 (through August). Major revenue sources contributing to the change include:

- Personal income tax (positive \$29.3 million)
- Sales/use tax (positive \$19.1 million)
- Corporate tax payments (positive \$3.8 million)
- Other taxes (positive \$19.2 million)
- Other receipts (positive \$18.1 million)

Personal income tax revenues received in August totaled \$226.3 million, an increase of \$19.9 million (9.7%) compared to August 2003. For the month, withholding tax payments increased 10.0%. Estimated tax payments and payments with returns are not significant revenue sources in August.

The FY 2005 REC income tax estimate of \$2.624 billion represents a projected increase of 1.2% compared to actual FY 2004. Year-to-date, income tax receipts have increased 8.0%. The following Chart compares FY 2005 monthly personal income tax receipts from the three personal income tax sub-categories with FY 2004.



Sales & Use tax receipts received in August totaled \$232.4 million, an increase of \$26.5 million (12.9%) compared to August 2003.

The REC estimate for FY 2005 sales/use tax receipts is \$1.776 billion, an increase of 2.5% compared to actual FY 2004. Year-to-date, sales/use tax receipts have increased 6.2%. The preceding Chart compares FY 2005 monthly sales/use tax receipts with FY 2004.

Corporate tax receipts received in August totaled \$9.6 million, a \$1.9 million increase (24.8%) compared to August 2003.

The REC estimate for FY 2005 corporate tax receipts is \$199.7 million, which represents a decrease of 14.9% compared to actual FY 2004. Year-to-date corporate tax receipts have increased 20.5%.

Other tax receipts received in August totaled \$39.4 million, a \$26.8 million (212.5%) increase compared to August 2003. A change in the due date for insurance premium taxes accounted for \$20.8 million of the increase. Inheritance, cigarette, and miscellaneous tax receipts were also up for the month.

The REC estimate for FY 2005 receipts from other taxes is \$336.7 million, which represents a decrease of 8.1% compared to actual FY 2004. Year-to-date, other tax receipts have increased 48.1%. The insurance premium tax rate and due date changes taking place in FY 2005 will result in extra revenue in the first eight months of the fiscal year and reduced revenue during the final four months. This will cause the revenue category to appear above projections during those first eight months.

Other receipts (non-tax receipts) received in August totaled \$36.6 million, a \$6.7 million (22.3%) increase compared to August 2003. Fee revenue and racing and gaming receipts were up for the month.

The REC estimate for FY 2005 other receipt revenue is \$293.2 million, which represents a decrease of 11.7% compared to actual FY 2004. The projected decrease relates to transfers from the Unclaimed

Property Fund. Year-to-date, other receipts have increased 30.2%. The increase is due to a large unclaimed property transfer in early July.

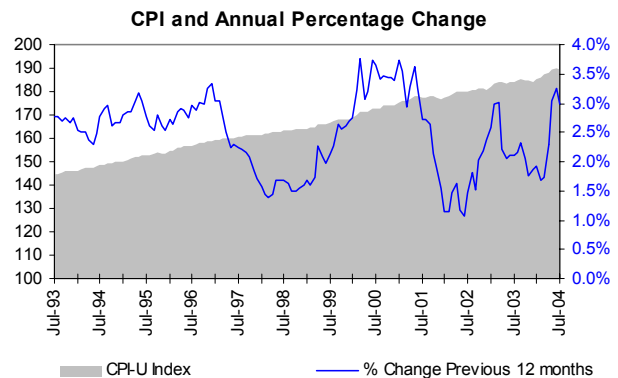
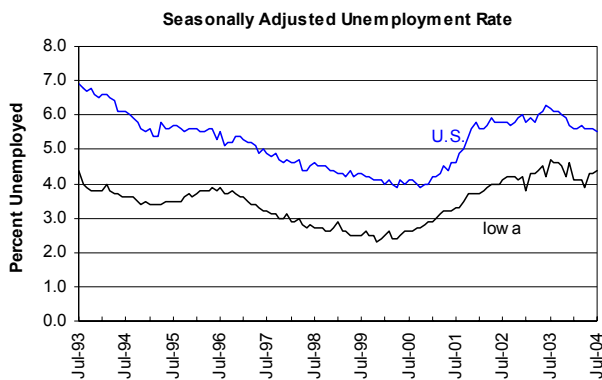
Status of the Economy

The July seasonally adjusted Iowa civilian unemployment rate was 4.4%, an increase of 0.1% compared to the June level and 0.3% lower than one year ago. Iowa's total seasonally adjusted July 2004 employment registered at 1,554,400, up 20,500 (1.3%) from last year's July level.

The number of unemployed persons in Iowa was reported at 71,400 in July, a decrease of 4,200 compared to July 2003.

The U.S. unemployment rate for July 2004 was 5.5%, 1.1 percentage points above the Iowa rate. The U.S. rate one year ago was 6.2%.

Consumer prices decreased 0.2% during the month of July (not seasonally adjusted). The Consumer Price Index (CPI-U) through July 2004 was 189.4 (1983/84=100), 3.0% higher than one year ago. The following charts illustrate Consumer Price Index and U.S./Iowa unemployment comparisons through July.



Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://staffweb.legis.state.ia.us/lfb/revdebt.htm>.

GENERAL FUND RECEIPTS - FY 2004 vs. FY 2005 July 1 through August 31, in millions of dollars Dollars may not add due to rounding					ESTIMATED GENERAL FUND RECEIPTS in millions of dollars FY 04 Actual Compared to FY 05 REC Estimate		
	FY 2004	FY 2005	Year to Date % CHANGE	August % CHANGE	Actual FY 2004	Estimate FY 2005	Projected % CHANGE
Personal Income Tax	\$ 368.1	\$ 397.4	8.0%	9.7%	\$ 2,592.3	\$ 2,623.7	1.2%
Sales/Use Tax	310.1	329.2	6.2%	12.9%	1,732.3	1,776.1	2.5%
Corporate Income Tax	18.5	22.3	20.5%	24.8%	234.8	199.7	-14.9%
Inheritance Tax	12.3	14.5	17.9%	58.1%	80.1	72.0	-10.1%
Insurance Premium Tax	5.1	21.5	321.6%	1538.9%	138.2	114.8	-16.9%
Cigarette Tax	14.1	14.6	3.5%	10.5%	87.1	84.1	-3.4%
Tobacco Tax	1.4	1.4	0.0%	8.2%	8.0	8.1	1.0%
Beer Tax	2.7	2.7	0.0%	-6.2%	14.0	14.0	0.0%
Franchise Tax	3.5	1.8	-48.6%	-43.5%	38.0	42.2	11.0%
Miscellaneous Tax	0.8	2.6	225.0%	155.0%	1.1	1.5	39.1%
Total Special Taxes	\$ 736.6	\$ 808.0	9.7%	17.4%	\$ 4,925.9	\$ 4,936.2	0.2%
Institutional Payments	2.6	2.1	-19.2%	2.0%	13.7	14.7	7.4%
Liquor Profits	6.5	6.5	0.0%	0.0%	58.0	54.0	-6.9%
Interest	0.8	0.9	12.5%	19.2%	7.6	4.4	-41.8%
Fees	10.3	10.2	-1.0%	80.7%	79.9	65.0	-18.6%
Judicial Revenue	7.0	7.1	1.4%	-11.3%	57.5	57.3	-0.3%
Miscellaneous Receipts	8.8	23.7	169.3%	-17.2%	55.3	37.8	-31.7%
Racing and Gaming Receipts	24.0	27.6	15.0%	34.4%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 796.6	\$ 886.1	11.2%	17.7%	\$ 5,257.8	\$ 5,229.4	-0.5%